Calgary

City Auditor's Office

2nd Quarter 2018 Report
April 1, 2018 – June 30, 2018

July 25, 2018

Katharine Palmer
City Auditor

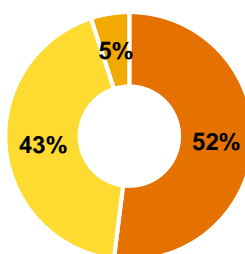This page intentionally blank

1. Status Update

Key Performance Indicators

Measure Area	Performance Indicator	Target	Q1 2018	Q2 2018
Efficiency	On Track to Annual Plan	Q1-29% Q2-56%	25%	49%
Effectiveness	Implementation of Audit Rec.	65%	67%	26%
Quality	Client Satisfaction	75%	96%	94%
Staff	Training Plan Achieved	90%	90%	100%

Budget

	2018 Annual Budget	Q2 Cumulative Budget	Actual to Date	Variance
Salary	2,619	1,305	1,190	115
Contracts	96	31	47	(16)
Training	65	33	22	11
Other	134	74	62	12
Total	2,914	1,443	1,321	*122

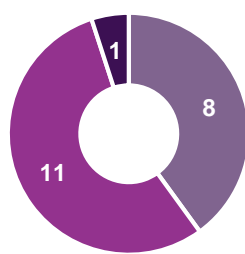*Variance due to staff vacancy in Q1

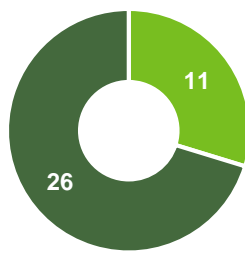### Whistle-blower Program Activity

New Reports (Q2 – 2018) 21

- 52% Employee
- 43% Non-employee
- 5% Undetermined

In-Progress Investigations (Q2 – 2018) 20

- 8 City Auditor's Office
- 11 Triage Partners (HR/ Corporate Security)
- 1 Management

Closed Investigations (Q2 – 2018) 7
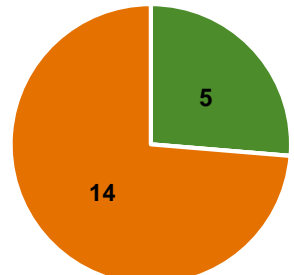
Allegations*
- 11 Substantiated
- 26 Unsubstantiated

*Corrective Actions/Recommendations are published at www.calgary.ca/whistle

Recommendation Follow-up

Results of 19 Recommendations Due in Q2 (Q1 - 15)

- 26% Implemented (Q1 - 73%)
- 0% Closed - Alternative Mitigation (Q1 -7%)
- 74% Required Additional Time (Q1 - 20%)

Outstanding Recommendations # of Revised Date Requests

- 1st revised date
- 2nd revised date
- 3rd revised date

2. Initiative Briefing:

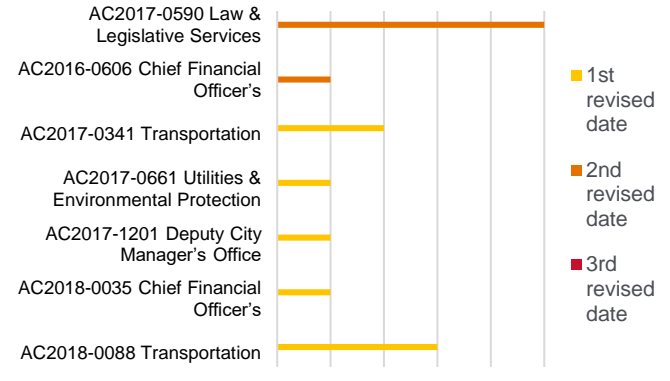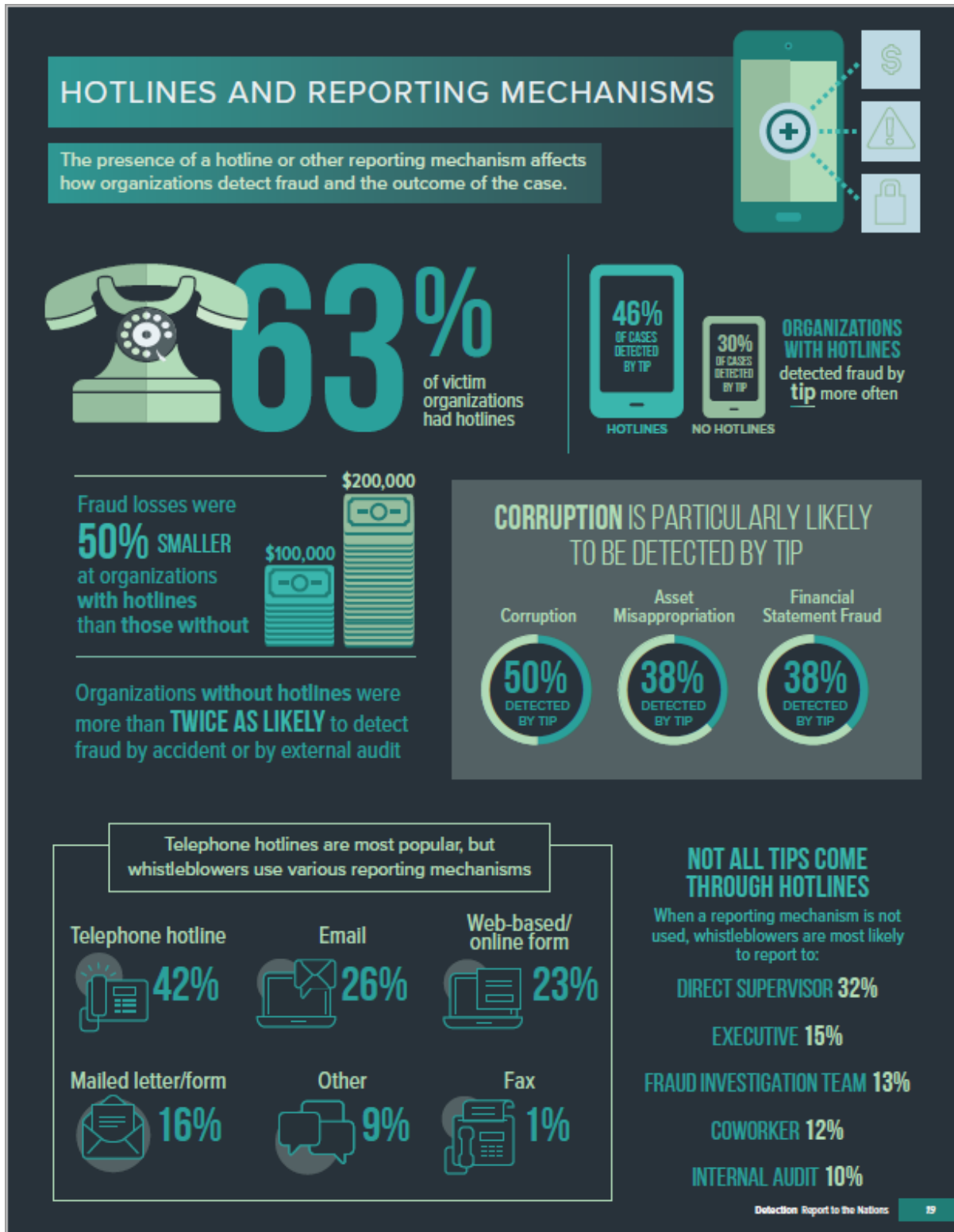The CAO Whistle-blower Program continues to benchmark best practices. One source of information is The Association of Certified Fraud Examiners (ACFE)'s annual Report to the Nations, representing a 2017 global study on occupational fraud and abuse. These highlights have been shared for your information and awareness.

HOTLINES AND REPORTING MECHANISMS

The presence of a hotline or other reporting mechanism affects how organizations detect fraud and the outcome of the case.

63% of victim organizations had hotlines

46% OF CASES DETECTED BY TIP — HOTLINES

30% OF CASES DETECTED BY TIP — NO HOTLINES

ORGANIZATIONS WITH HOTLINES detected fraud by **tip** more often

Fraud losses were **50% SMALLER** at organizations **with hotlines** than **those without**

$100,000

$200,000

Organizations **without hotlines** were more than **TWICE AS LIKELY** to detect fraud by accident or by external audit

CORRUPTION IS PARTICULARLY LIKELY TO BE DETECTED BY TIP

Corruption **50%** DETECTED BY TIP

Asset Misappropriation **38%** DETECTED BY TIP

Financial Statement Fraud **38%** DETECTED BY TIP

Telephone hotlines are most popular, but whistleblowers use various reporting mechanisms

Telephone hotline **42%**

Email **26%**

Web-based/online form **23%**

Mailed letter/form **16%**

Other **9%**

Fax **1%**

NOT ALL TIPS COME THROUGH HOTLINES

When a reporting mechanism is not used, whistleblowers are most likely to report to:

DIRECT SUPERVISOR **32%**

EXECUTIVE **15%**

FRAUD INVESTIGATION TEAM **13%**

COWORKER **12%**

INTERNAL AUDIT **10%**

Detection Report to the Nations 19

2017/2018 Annual Audit Plan – Status as at June 30, 2018

\#	Title	Description	Report Target	Status
2017/18 Annual Audit Plan				
Risk Assessed Priority: 2017[1]				
1	Green Line LRT (Engagement)	An operational audit on the effective utilization of citizen engagement to support the objectives of the capital project.	Q1	Complete Reported January
2	Corporate Credit Card (Data Analytics)	A compliance audit utilizing data analytics to assess the effectiveness of related Corporate Credit Card compliance and fraud prevention controls.	Q1	Complete Reported January
3	New Central Library Project	An operational audit on the readiness of Calgary Public Library and The City of Calgary to assume hand-off from the Calgary Municipal Land Corporation of the New Calgary Central Library.	Q1	Complete Reported February
4	Treasury Management	An operational audit of treasury (cash flow) management.	Q2	Complete Reported April
5	Cyber Security Incident Response	An IT audit assessing the effectiveness of response processes established to support and protect critical data from cyber-attacks.	Q2	Complete Reported April
6	Procurement	A follow-up audit which will focus on management actions to address recommendations raised in previous CAO audits (from 2009 to current).	Q2	Complete Reported April

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[1] All other planned 2017 audits were completed and reported within 2017.

2017/18 Annual Audit Plan				
#	Title	Description	Report Target	Status
Risk Assessed Priority: 2018				
1	Employee Expenses	A compliance audit of employee expenses utilizing data analytics.	Q2	Complete Reported June
2	2017 Election Day	A management request (City Clerk's Office) to conduct a root cause analysis review of the issues which occurred on the 2017 election day and to evaluate proposed strategies to improve the election day process.	Q3	Reporting
3	Open Data Program	An operational audit of the Open Data Program governance.	Q3	Reporting
4	Real Estate Acquisitions (Green Line LRT)	An operational audit assessing the real estate acquisitions related to the Green Line LRT.	Q3	Reporting
5	Calgary Parking Authority	An operational audit of Calgary Parking Authority's key internal control processes.	Q4	Planning
6	Bonnybrook Plant D Expansion	An operational audit of the Bonnybrook Plant D Expansion capital project.	Q4	Planning
7	Community Planning/Calgary Approvals	An operational audit to assess the effectiveness of processes to improve permit timelines.	Q1, 2019	Not started
8	Calgary Community Standards – Livery Transport Services	An operational audit assessing the effectiveness of internal controls that support public and driver safety.	Q1, 2019	Planning
9	Annual Control Environment Assessment	An operational audit assessing control activities which support COSO Principle 10: Selects and Develops Control Activities.	Q1, 2019	Planning
10	Emergency Management	An operational audit of emergency preparedness and related business continuity plans.	Q1, 2019	Not started

2017/18 Annual Audit Plan				
#	Title	Description	Report Target	Status
11	Finance System	An IT audit assessing the efficiency and effectiveness of the finance system to manage budget and costs. *This audit will be deferred to 2019 as upgrades to the finance system are planned during 2018.*	Deferred to 2019	Will be included in the proposed 2019/2020 Audit Plan.